

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7321

BILL NUMBER: HB 1384

DATE PREPARED: Jan 6, 2001

BILL AMENDED:

SUBJECT: Taxation of state owned property.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Auditor of State to make a semiannual payment in lieu of property taxes (PILOT) for land owned by the state and leased to a private entity for agricultural use. The bill allows the legislative body of a county to collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value the same as agricultural land. The bill makes an annual appropriation to make PILOTs from the State General Fund.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The Auditor of State must make a semiannual payment in lieu of property taxes (PILOT) for land owned by the state and leased to a private entity for agricultural use.

With respect to the Department of Natural Resources (DNR), the Division of State Parks & Reservoirs will be leasing approximately 6,140 acres of farmland on reservoir properties to farmers during 2001. The Division of Fish and Wildlife has 6,738 acres that are leased for agricultural purposes. The Division of Forestry leases approximately 200 acres, and the Division of Nature Preserves leases approximately 100 acres. Total acres equal approximately 13,178 acres.

Because of a change in the definition of assessed value that will take effect with the 2001 payable 2002 tax year, assessed values will triple and tax rates will be reduced by two-thirds. These scheduled changes do not affect final tax bills in any way. For clarity, assessed values and tax rates in this estimate will be expressed in 2002 terms.

The State Tax Board has proposed that the base value for agricultural real property should be \$1,050 beginning with property taxes paid in CY 2003. Applying the proposed \$1,050 value per agricultural acre to the eligible 13,178 acres would result in a total assessed value (AV) of \$13,836,900.

The PILOT would first be due for property taxes payable after December 31, 2002, or for property tax year 2003. The estimated CY 2003 statewide average net property tax rate is estimated at \$1.75 - \$3.10 per \$100 AV. Using the

average tax rate, **the state's liability is estimated at \$240,000 - \$430,000** (\$13.8 M AV divided by \$100 and multiplied by \$1.75 - \$3.10). State fiscal year impacts are estimated at \$120,000 - \$215,000 in FY 2003 (or ½ of the first calendar year) and \$240,000 - \$430,000 for FY 2004. The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

The above estimate includes only properties owned or leased by the DNR. The Indiana Department of Transportation, Family and Social Services Administration, and state universities may also lease land for agricultural purposes, which would increase the above estimate.

State expenditures for property tax replacement (PTRC) would be reduced because the state would no longer be paying property tax replacement on the current levy attributable to the state property. The impact, however, is not expected to be significant.

The State Board of Tax Commissioners and the Auditor of State will experience additional administrative expenses. However, expenses of administering the account are to be paid from money in the PILOT Transfer Account, which is established in this bill.

The bill annually appropriates from the State General Fund to the PILOT Transfer Account the amount necessary to make the required PILOT distribution.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties containing property owned or leased by the state that is leased to a private entity for agricultural use may receive PILOTs. The actual PILOT will depend on the actual tax rates in the taxing districts where the state land is located.

State Agencies Affected: Auditor of State, the DNR, the Indiana Department of Transportation, Family and Social Services Administration, and state universities

Local Agencies Affected: Counties containing property owned or leased by the state that is leased to a private entity for agricultural use.

Information Sources: State Tax Board, Local Government Database; Andy Cullen, Executive Assistant, Office of the Director, Department of Natural Resources (317) 233-6398. .